



UMUZIWABANTU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

UMUZIWABANTU MUNICIPALITY

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Umuziwabantu Municipality

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 36 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S D Mbhele
Municipal Manager

Date

**UMUZIWABANTU MUNICIPALITY
GENERAL INFORMATION
YEAR ENDED 30 JUNE 2010**

COUNCIL MEMBERS

AD Ngubo	(Mayor)
JS Ncwane	(Deputy Mayor)
ZR Mbuthuma	(Speaker)
NB Dlamini	(Exco Member)
ZN Cwele	Councillor
MB Gavu	Councillor
PM Gwija	Councillor
ATC Houston	Councillor
SS Mbonwa	Councillor
JS Mbuthuma	Councillor
EN Miya	Councillor
MV Mjabeka	Councillor
XR Mjaja	Councillor
T. Nciki	Councillor
HJ Ngubelanga	Councillor
S. Nhlokwana	Councillor
S.O. Njongo	Councillor
S.W. Vetthe	Councillor

AD Ngubo	(District Council Representative)
SO Njongo	(District Council Representative)

GRADING OF MUNICIPALITY

Grade 4

AUDITORS

Auditor General

BANKERS

NEDBANK

First National Bank

REGISTERED OFFICE

Main Street

HARDING

POSTAL OFFICE

Private Bag X1023

HARDING

MUNICIPAL MANAGER

S D Mbhele

CHIEF FINANCIAL OFFICER

T.S.P Khuzwayo

UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
FOR YEAR END PERIOD ENDING 30 JUNE 2010

	Note	2010	2009 Restated
		R	R
NET ASSETS AND LIABILITIES			
Net assets		205 182 482	179 458 274
Revaluation reserve	9	26 468 400	17 302 000
Accumulated Surplus	40	178 714 082	162 156 274
Non- current liabilities			
Long -term liabilities	2	496 777	846 067
Finance Lease Liabilities	29	470 300	-
Current liabilities		6 774 816	16 574 903
Current portion of long - term liabilities	2	349 290	386 606
Unspent grants and receipts	5	-	3 779 461
Creditors	4	5 658 142	11 880 407
Finance Lease Liability	28	217 221	-
Consumer deposits	3	550 162	528 428
Total Net Assets and Liabilities		212 924 375	196 879 244
ASSETS			
Non-current assets		102 990 989	84 227 503
Property,plant and equipment	9	80 251 520	60 646 276
Finance Lease	9	995 192	446 833
Intangible Asset	10	3 757	12 544
Investment Property	11	2 878 400	2 462 000
Plantation inventories	14	18 509 061	20 110 560
Investments	12	11 299	11 299
Long-term receivables	13	341 760	537 990
Current assets		33 458 940	36 177 296
Current portion of long term receivables	13	196 231	203 733
Inventory	15	121 353	116 164
Debtors	16	11 227 150	9 099 463
VAT	6	2 915 662	221 303
Call investment deposits	17	15 832 951	19 897 886
Bank balances	7	3 160 454	6 638 295
Cash	7	5 140	452
Total Assets		136 449 930	120 404 799

**UMUZIWABANTU MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010**

Budget 2009 R	Budget 2010 R		Note	Actual 2010 R	Actual 2009 R (Restated)
REVENUE					
4 551 475	7 699 112	Property rates	18	7 018 268	4 053 622
1 067 000	100 000	Property rates-penalties and charges		367 311	15 404
12 990 325	15 615 484	Service charges	19	14 205 874	11 434 737
-	-	Provision for bad debts adjustment		-	206 476
237 458	196 540	Rental on facilities and equipment		105 153	103 633
1 830 000	2 363 165	Interest earned-external investments		1 230 680	1 745 741
-	111 260	Interest received from Ugu for DBSA loan	24	111 260	140 638
603 688	180 208	Fines		140 899	131 248
1 837 417	2 109 776	Licences and permits		1 916 292	1 633 717
23 179 383	27 946 676	Government grants and subsidies	20	28 617 657	24 322 520
		Conditional Grant in terms of GRAP 23		10 527 004	1 150 000
7 647 000	25 914 000	Capital grants	20	10 502 764	8 622 581
-	6 594 095	Afforestation Scheme sales		6 374 869	6 287 573
-	-	Changes in value of plantation	14	-	2 435 624
1 838 659	3 229 402	Other Income	21	905 586	1 012 799
55 782 404	92 059 718	Total Revenue		82 023 617	63 296 313
EXPENDITURE					
16 822 395	23 049 544	Employee related costs	22	20 807 401	16 875 440
4 032 645	4 358 287	Remuneration of Councillors	23	4 376 942	3 821 781
106 300	-	Bad debts		1 918 810	259 567
1 826 900	2 366 007	Depreciation		2 796 466	2 867 018
4 057 492	2 569 514	Repairs and maintenance		1 920 003	2 305 677
255 100	209 960	Interest paid	25	237 658	239 343
		Changes in value of plantation	14	1 601 499	-
6 455 000	11 343 053	Bulk purchases -Electricity	25	9 676 402	7 277 329
2 297 496	1 627 891	Contracted services		750 328	1 937 603
100 000	100 000	Grants paid -Ugu Tourism		100 000	100 000
11 871 238	14 135 565	General expenses		12 309 501	11 741 999
-	4 752 432	Afforestation Scheme cost of sales		3 451 073	3 195 151
-	1 398 373	Afforestation Scheme general expenses		2 373 703	2 172 156
9 000 000	7 820 145	Housing Projects expenditure	20	456 015	1 586 029
		Impairment loss	37	3 078 318	-
56 824 566	73 730 770	Total Expenditure		65 854 120	54 379 092
-1 042 162	18 328 948	SURPLUS FOR THE YEAR		16 169 497	8 917 221
Refer to Appendix E (1) for explanation of variances					

UMUZIWABANTU MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 30 June 2008 as previously reported	17 302 000	75 305 771	92 607 771
Change in accounting policy- Unspent grants 2007/2008		1 168 675	1 168 675
Balance as at 30 June 2008 (Restated)		76 474 446	93 776 446
2 009			0
Surplus for the year		8 300 744	8 300 744
Interest earned on external investments		448 661	448 661
Depreciation for the year		(112 871)	(112 871)
Contribution to CRR			0
Write offs		(188 399)	(188 399)
Balance at 30 June 2009 as previously reported	17 302 000	161 397 026	178 699 026
Correction of error - Inventory		266	266
Correction of error - Unspent Grant		62 542	62 542
Change in accounting policy - Provision for bonus		(453 560)	-453 560
Change in accounting policy- Unspent grants		1 150 000	1 150 000
Balance at 30 June 2009 (Reinstated)	17 302 000	162 156 274	178 761 834
2010			
Surplus for the year		16 169 497	16 169 497
Revaluation Adjustment	9 166 400		9 166 400
Interest on external investments		47 621	47 621
Depreciation for the year		(112 871)	(112 871)
Correction of error - Provision for bonuses		453 560	453 560
Property Plant and Equipment purchased			
Asset Disposal			
Offsetting of depreciation			
Balance at 30 June 2010	26 468 400	178 714 082	204 486 041

UMUZIWABANTU MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009
		153 081	
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from (utilised in) operations	26	13 640 108	15 985 095
Interest received		1 341 940	2 194 002
Interest paid		-237 658	-98 705
Net Cash from (utilised in) operating activities		14 744 389	18 080 392
CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-23 428 539	-14 256 672
(Increase)/decrease in long term receivables		203 734	200 687
CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES		-23 224 805	4 024 407
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/ (repaid)		386 606	-330 684
Finance lease raised		687 521	
Increase / (decrease) in Consumer deposits		21 734	-14 903
Net cash generated from / (utilised in) financing activities		1 095 861	-345 587
		-7 384 555	3 678 820
NET INCREASE (DECREASE) IN CASH EQUIVALENTS			
Cash and cash equivalents			
At the beginning of the year		26 536 181	22 857 361
At the end of the year		18 998 545	26 536 181
		-7 537 636	3 678 820

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1 BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) znc on an accrual basis of accounting and in accordance with the historical cost convention ,except where indicated otherwise

These standards are summarised as follows :

GRAP 1 : Presentation of financial statements
GRAP 2 : Cash flow statements
GRAP 3 : Accounting policies, changes in accounting estimates and errors
GRAP 4: The effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Seperate Financial Statements
GRAP 7: Investments in Associates
GRAP 8: Interests in Joint Ventures
GRAP 9: Revenue from Exchange Transactions
GRAP10: Financial Reporting in Hyperinflationary Economics
GRAP 11: Contruction Contracts
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after the Reporting date
GRAP 16: Investment Property
GRAP 17: Property ,Plant and Equipment
GRAP 19: Provisions,Contigent Liabilities and Contigent Assets
GRAP 100: Non-Current Assets held for Sale and Discontined Operations
GRAP 101: Agriculture
GRAP 102: Intangible Assets
IPSAS 20: Related party Disclosures
IPSAS 21: Impairment of Non Cash Generating Assets
IFRS 3: Business Combinations
IFRS 7: Financial Instruments: Disclosures
IAS 19: Employee Benefits
IAS 32: Financial Instruments: Presentation
IAS 36: Impairment of Assets: Recognition and Measurement
IFRIC 4:Determining whether an Arrangement contains a Lease

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2010 the Municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are given in Notes 38 to the Annual Financial Statements.

The Municipality changes an Accounting Policy only if the change :

- a) is required by a Standard or GRAP; or
- b) results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions other events or conditions, on the performance ofr cashflow

1.2 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements

1.2.1 Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions) as far as Revenue from Non- Exchange Transaction is concerned(See basis for Preparation above), and in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is saitsified that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

1.2.3 Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired . In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1.2.4 Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

1.2.5 Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable values.

1.3 Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.4 Presentation Currency

The annual financial statements are presented in South African Rand, rounded off to the nearest Rand.

1.5 Offsetting

Assets, Liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet effective

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality

The following GRAP standards have been issued but are not yet effective and, accordingly, have not been adopted by the municipality:

GRAP 21: Impairment of Non-cash -generating Assets
GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)
GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007
GRAP 25: Employee Benefits
GRAP 26: Impairment of Cash-generating Assets
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19: Employee benefits
IFRIC 17: Distribution of Non-cash Assets to owners
IAS 39: Financial Instruments: Recognition and Measurement

Management has considered all of the above-mentioned GRAP standards issued but yet effective and anticipates that the adoption of these standards will not have a significant impact of the financial position, financial performance or cash flows of the municipality

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

2 PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used for more than one year

The cost of an item of property, plant and equipment is recognised as an asset if, and equipment is recognised as an asset if, it is probable that future economic benefits or services potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed costs being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. A non exchange transaction, the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in non monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost must then be measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component

Subsequently, all property, plant and equipment, except for Infrastructure assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
Community		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2.4 Land

Land is stated at the values reflected in the valuation roll. The effective date of the last valuation was 1 July 2009

2.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

2.7 Infrastructure Assets

Infrastructure assets are any asset that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

2.8 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property and equipment is derecognised on disposal, or when no future economic benefits or services potential are expected from the use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gain are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales. Proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

2.9 Impairment

2.9.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

2.9.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3 INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible assets. The Municipality recognises an intangible asset in its statement of Financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for nominal consideration, its cost is its fair value as at the date it is acquired. When an intangible asset is acquired in exchange for a non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable its cost is the carrying amount of the asset(s) given up.

3.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight line basis over the intangible assets' useful lives, which are estimated to be between three to five years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised for example, servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review and applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTIES

4.1 Initial Recognition

Investment Property includes property (Land or Buildings, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transactions costs once it meets the definition of investment property. However, where an investment property was acquired through a non exchange transactions (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- all properties held to earn market -related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold with the next 12 months are classified as Investment Properties;
- land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing board on a commercial basis on behalf of the municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property Plant and Equipment, Inventory or Non-current Assets held for sale, as appropriate;

- property intended for sale in the ordinary courses of operations or in the process of construction or development for such sale;
- owner -occupied property , including (among other things) property held for future use as owner occupied property
- property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel(whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal
- property that is being constructed or developed for future use as investment property'
- property that is leased to another entity under a finance lease
- property held to provide a social service and which also generates cash inflows, e.g. Property rented out below market rental to sporting bodies, schools, low income families, etc; and
- property held for strategic purposes or service delivery

4.2 Subsequent Measurement

Investment property is measured using the cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is at 20 -30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

5. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

5.1 Financial Assets - Classifications

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted Investments
- Investments on Fixed Deposits(Banking institutions)
- Long-term receivables
- Consumer deposits
- Other debtors
- Bank, Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Assets	Classification in terms of IAS 39.09
Unlisted Investments - Stock	Held at Fair value through profit and loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents - Call deposit	Available for sale
Long term receivables	Loans and receivables
Consumer deposits	Loans and receivables
Other debtors	Loans and receivables
Investment in Fixed deposits	Held to maturity
Bank,Cash and Cash Equivalents - Notice dep	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions;

- they are classified as held for trading;or
- upon initial recognition they are designated at fair value through the Statement of Performance

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-Maturity investments;or
- Financial assets at fair value through the Statement of Performance.

Loans and Receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for maturities greater than 12 months, which are classified as non current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost using the effective interest rate method less a provision for impairment.

Held-to-Maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks(including call deposits). Cash Equivalents are short term highly liquid investments, readily convertible in known amounts of cash, which are held with the registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cashflow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as a Financial asset : Available for sale.

5.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term Liabilities
- Creditors
- Bank Overdraft
- Short term loans
- Current portion of Long term Liabilities
- Consumer deposits

There are two main categories of Financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) fair value through profit and loss; or
- (ii) not at fair value through profit or loss ('other financial liabilities')

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

5. FINANCIAL INSTRUMENTS (Continued)

5.2 Financial Liabilities - Classification (Continued)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchased with the intention to sell or repurchase in the short-term; derivatives other than hedging instruments are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as other Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Held-to-Maturity investment and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

In accordance with IAS39.39 the financial liabilities are all classified as financial liabilities that are not measured at fair value through profit and loss.

6 INVENTORIES

Consumable stores are valued at the lower of cost and net realisable value.
In general, the basis of determining cost is the weighted average method.
Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

7. ACCOUNTS RECEIVABLE AND CREDITORS

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.
Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.
Trade creditors are stated at their nominal value.

9. REVENUE RECOGNITION

9.1. Revenue from Exchange Transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

9.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

10. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

12. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

13. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on invoice basis

17. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

18. RELATED PARTIES

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and Contingent Liabilities are not recognised, Contingencies are disclosed in Note 32 to the Annual Financial Statements.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

20 COMPARATIVE INFORMATION

20.1 Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

20.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re classified. The nature and reason for the reclassification is disclosed

21 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable. The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

22 INVESTMENTS

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.

23 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

24 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

25 HOUSING DEVELOPMENT FUND

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

26 CHANGES IN ACCOUNTING POLICIES , ESTIMATES AND ERRORS

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which it is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with requirements of GRAP 3.

27 AFFORESTATION

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM).

In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality.

Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement. All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	<u>4 293 922</u>	<u>4 356 503</u>
The Housing development fund is represented by the following assets and liabilities		
- Property, plant and equipment	0	29 481
- Housing rental debtors	50 376	50 376
- Cash resources	<u>4 503 433</u>	<u>4 503 433</u>
Sub- total	<u>4 553 809</u>	<u>4 583 290</u>
- Creditors	<u>(259 887)</u>	<u>(226 787)</u>
Total Housing Development Fund Assets and Liabilities	<u>4 293 922</u>	<u>4 356 503</u>
2 LONG -TERM LIABILITIES		
Annuity Loans	852 999	1 232 673
Adjustment	<u>(6 932)</u>	
	846 067	<u>1 232 673</u>
Less: Current portion transferred to current liabilities	<u>(349 290)</u>	<u>(379 674)</u>
Total External Loans	<u>496 777</u>	<u>852 999</u>
Refer to Appendix A for more detail on borrowings.		
In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa. Since then all loan charges relating to these loans have been paid by the Ugu District Municipality - The loans are still in the name of the Umuziwabantu Municipality. These loan balances at 30 June 2010 totalled R341760		
3 CONSUMER DEPOSITS		
Electricity	<u>550 162.29</u>	<u>528 428.27</u>
	<u>550 162.29</u>	<u>528 428.27</u>
Consumer deposits are paid by consumers on application for new electricity connections. The deposits are paid when the electricity connections are terminated. In cases of consumers defaulting on their accounts the municipality can apply the deposits as payments for any outstanding balance		
4 CREDITORS		
Trade creditors	2 388 060	9 133 403
Housing creditors	259 887	226 787
Staff leave	1 004 027	1 135 581
Provision for Bonuses	562 034	453 560
Other creditors	<u>1 444 134</u>	<u>931 077</u>
Total creditors	<u>5 658 142</u>	<u>11 880 407</u>

Staff leave accrue to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date

The average credit period on purchases is 30 days from the receipt of the invoice determined by the MFM

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5. UNSPENT GRANTS AND RECEIPTS		
5.1 Conditional grants from other spheres of Government		
Specific Projects (see note 20) and Appendix F	-	3 779 461
See Note 20 for reconciliation of grants from other, the unspent grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
The unspent conditional grants and receipts are invested in investment accounts until utilised		
6. VAT		
VAT receivable	2 915 662	221 303
VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS		
7. BANK BALANCES AND CASH		
7.1 <u>The Municipality has the following bank accounts :</u>		
<u>Current Account (Primary Bank Account)</u>		
Nedbank - Harding		
Account Number - 1165033615		
Cash Book balance at beginning of year	3 537 948	135 988
Cash Book balance at end of year	806 957	3 537 948
Bank Statement balance at beginning of year	3 538 098	146 841
Bank Statement balance at end of year	783 999	3 538 098
<u>Current Account (Afforestation Scheme) (see note 29)</u>		
First National Bank-Bank Street : Pietermaritzburg		
Account Number - 50932742767		
Cash Book balance at beginning of year	3 100 347	301 267
Cash Book balance at end of year	2 353 497	3 100 347
Bank Statement balance at beginning of year	3 100 347	2 634 630
Bank Statement balance at end of year	2 353 497	3 100 347
<u>Cash Book balance at end of year</u>	<u>3 160 454</u>	<u>6 638 295</u>
7.2 <u>Cash balances</u>	<u>5 140</u>	<u>452</u>
8 OPERATING LEASE LIABILITIES/PAYABLES		
Operating leases are recognised on the straight-line bases as per the requirement of GRAP 13 in respect of Non-cancellable operating leases the following liability have been recognised		
8.1 The municipality as Lessee:		
Operating leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period		
At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for Property, Plant and Equipment which fall due as follows		
Municipality as Lessee		
With one year	151 213	170 536
In the second to third years, inclusive	13 698	71 057
Over three years	-	-
Total operating lease arrangements	164 911	241 593
The following has been recognised in the statement of performance:	164 911	241 593
Total Operating lease expensees	164 911	241 593
8.2 The municipality as Lessor:		
Operating leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew.		
At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for Property, Plant and Equipment which fall due as follows		
Land and Buildings		
With one year	68 320	61 488
In the second to third years, inclusive		
Over three years		
Total operating lease arrangements		
The following income has been recognised in the statement of performance:	68 320	61 488

UMUZIWABANTU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

9 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Infrastructure roads	Infrastructure electricity	Infrastructure other	Heritage	Other Assets	Under Construction	Finance lease assets	Afforestation	Total
	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2010	14 840 000	8 796 954	25 550 204	7 722 809	1 319 031	-	5 971 562		446 833	502 556	64 703 115
Cost/Revaluation	14 840 000	12 972 303	26 830 710	10 318 148	2 254 408		9 820 019		602 100	681 337	77 716 926
Correction of error (note 38)			(0)								(0)
Change in accounting policy (note 38)											-
Accumulated depreciation and impairment loss	-	(4 175 349)	(1 280 506)	(2 595 339)	(935 378)	-	(3 848 457)		(155 266)	(178 781)	(13 013 810)
Acquisitions	-	116 749	11 609 737	1 305 175	190 664	-	1 497 251	1 638 122	688 993	41 601	14 761 177
Assets fair valued	8 750 000				206 000		244 091			-	9 200 091
Depreciation	-	(467 313)	(818 527)	(261 652)	(98 592)	-	(1 085 554)		(140 634)	(64 829)	(2 796 466)
Carrying value of disposals	-	-	-	-	-	-	-		-	(110 362)	(110 362)
Cost/Revaluation	-	-	-	-	-	-	-		-	(236 910)	(236 910)
Accumulated depreciation and impairment loss	-	-	-	-	-	-	-		-	126 548	126 548
Impairment loss/Reversal of impairment loss	-	(277 383)	(1 487 437)	(8 858)		-	(1 313 640)		-	(126 548)	(3 213 866)
Transfers	-	-	-	-	-	-	-		-	-	-
Other movements*	-	-	-	-	-	-	-		-	-	-
as at 30 June 2010	23 590 000	8 169 006	34 853 977	8 757 474	1 617 103	-	5 313 710	1 638 122	995 192	368 967	84 308 359
Cost/Revaluation	23 590 000	13 089 052	38 440 447	11 623 323	2 651 072	-	11 561 361	1 638 122	1 291 093	849 486	101 804 741
Accumulated depreciation and impairment loss	-	(4 920 046)	(3 586 469)	(2 865 849)	(1 033 969)	-	(6 247 651)		(295 900)	(480 520)	(19 134 504)

UMUZIWABANTU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

9.2 Reconciliation of Carrying Value

	Land R	Buildings R	Infrastructure R	Infrastructure R	Infrastructure R	Heritage R	Other Assets R	Under R	Finance lease R	Afforestation R	Total R
as at 1 July 2008	14 840 000	9 713 549	15 324 454	7 345 364	2 340 029	-	5 178 358	-	529 037	526 033	55 796 825
Cost/Revaluation - as previously stated	17 302 000	13 428 007	16 032 854	9 697 538	2 266 967	-	8 639 247			750 970	68 117 583
Correction of error (note 38)											
Finance lease assets				-			-		602 100	-	602 100
Change in accounting policy (note 38)	(2 462 000)										(2 462 000)
Accumulated depreciation and impairment loss	-	(3 714 457)	(708 400)	(2 352 174)	73 062	-	(3 460 889)		(73 062)	(224 937)	(10 460 858)
Acquisitions	-	275 162	10 797 855	620 611	219 562	-	2 343 481		-	22 462	14 279 133
Capital under Construction	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(460 892)	(572 106)	(243 165)	(582 790)	-	(981 836)		(82 204)	(33 393)	(2 956 386)
Carrying value of disposals	-	-	-	-	-	-	(568 441)		-	-	(568 441)
Cost/Revaluation	-	-	-	-	-	-	(1 162 709)		-	-	(1 162 709)
Accumulated depreciation and impairment loss	-	-	-	-	-	-	594 268		-	-	594 268
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-		-	-	-
Transfers	-	-	-	-	-	-	-		-	-	-
*Other movements	-	-	-	-	-	-	-		-	-	-
as at 30 June 2009	14 840 000	8 796 954	23 173 425	6 042 749	1 319 031	-	5 971 562	-	446 833	502 556	61 093 110
Cost/Revaluation	14 840 000	12 972 303	26 830 710	10 318 148	2 254 408	-	9 820 019	-	602 100	681 337	78 319 025
Accumulated depreciation and impairment loss	-	(4 175 349)	(3 657 285)	(4 275 399)	(935 378)	-	(3 848 457)		(155 266)	(178 781)	(17 225 915)

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment,

The effective date of revaluation of land was 1 July 2009 and Independent valuer Millsfitche was appointed to do the valuation and the valuation was based in the determination of market related values or recent market transactions on arms's length terms or were estimated

Had the land been carried at cost the amount will have been nil, the revaluation surplus as at 30th of June 2010 of R23,590,000 includes the current years increase of R8,750,000

DEPRECIATION AND AMORTISATION EXPENSE

	2010	2009
Property, plant and equipment	(2 898 433)	(2 922 993)
Intangible assets	(8 787)	(56 896)
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	(2 907 221)	(2 979 889)

UMUZIWABANTU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	2010 R	2009 R
10 INTANGIBLE ASSETS		
At cost less Accumulated Amortisation and Accumulated Impairment Losses	3 757	12 544
10.1 Reconciliation of Carrying Value		
	Computer Software R	Other R
as at 1 July 2010	12 544	-
Cost/Revaluation	241 895	-
Correction of error (not31)		
Change in accounting policy (note 31)		
Accumulated depreciation and impairment losses	(229 350)	-
Acquisitions	-	-
Assets fair valued	-	-
Depreciation	(8 787)	-
Carrying value of disposals	-	-
Cost/Revaluation	-	-
Accumulated depreciation and impairment losses	-	-
Impairment loss/Reversal of impairment loss		
Transfers	-	-
Other movements*	-	-
as at 30 June 2010	3 757	-
Cost/Revaluation	241 895	-
Accumulated depreciation and impairment losses	(238 138)	-
	Computer Software R	Other R
10.2 Reconciliation of Carrying Value		
as at 1 July 2009	21 331	-
Cost/Revaluation	241 895	-
Correction of error (not31)		
Change in accounting policy (note 31)		
Accumulated depreciation and impairment losses	(220 563)	-
Acquisitions	-	-
Assets fair valued	-	-
Depreciation	(8 787)	-
Carrying value of disposals	-	-
Cost/Revaluation	-	-
Accumulated depreciation and impairment losses	-	-
Impairment loss/Reversal of impairment loss		
Transfers	-	-
Other movements*	-	-
as at 30 June 2009	12 544	-
Cost/Revaluation	241 895	-
Accumulated depreciation and impairment losses	(229 351)	-

Significant Intangible Assets:

Significant intangible assets, that do not meet the recognition criteria for intangible assets as stipulated in IAS 38 and SIC 32, are the following
(i) Website costs incurred have been expensed and not recognised as intangible assets.

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance

UMUZIWABANTU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	2010 R	2009 R
11 INVESTMENT PROPERTIES		
At fair value	<u><u>2 878 400</u></u>	<u><u>2 462 000</u></u>

11.1 Reconciliation of Carrying Value

	Vacant land R	Other R	Total R
as at 1 July 2010	<u>2 462 000</u>	-	<u>2 462 000</u>
Cost/Revaluation	2 462 000	-	2 462 000
Correction of error (not31)			
Change in accounting policy (note 31)			
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Assets fair valued	-	-	-
Depreciation	-	-	-
Carrying value of disposals	<u>416 400</u>	-	<u>416 400</u>
Cost/Revaluation	416 400	-	416 400
Accumulated depreciation and impairment losses	-	-	-
Impairment loss/Reversal of impairment loss			-
Transfers	-		-
Other movements*	-		-
as at 30 June 2010	<u>2 878 400</u>	-	<u>2 878 400</u>
Cost/Revaluation	2 878 400	-	2 878 400
Accumulated depreciation and impairment losses	-	-	-

	Computer Software R	Other R	Total R
as at 1 July 2009	<u>2 462 000</u>	-	<u>2 462 000</u>
Cost/Revaluation	-	-	-
Correction of error (not31)			
Change in accounting policy (note 31)	2 462 000		2 462 000
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Assets fair valued	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost/Revaluation	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Impairment loss/Reversal of impairment loss			-
Transfers	-		-
Other movements*	-		-
as at 30 June 2009	<u>2 462 000</u>	-	<u>2 462 000</u>
Cost/Revaluation	2 462 000	-	2 462 000
Accumulated depreciation and impairment losses	-	-	-

Investment Properties consist of

Various land where council has not determined future use and the fair value disclosed was based on a valuation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties.

The most valuation was performed on 1 July 2009,

Had the land been carried at cost the amount would have been Nil. The revaluation surplus as at 30 June 2010 of R2,878,400 includes current year's increase of R416,400.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
12 INVESTMENTS		
Unlisted:		
Shares	10 799	10 799
Afforestation	500	500
Management's valuation of unlisted investments	<u>11 299</u>	<u>11 299</u>
13 LONG -TERM RECEIVABLES		
Ugu Municipality (DBSA Loan)	541 036	741 723
Adjustment	(3 046)	
Reinstated balance	<u>537 990</u>	<u>741 723</u>
Short term portion	(196 231)	(200 687)
	<u>341 760</u>	<u>541 036</u>

14 PLANTATION		
Plantation standing timber - Afforestation Scheme	<u>18 509 061</u>	<u>20 110 560</u>
The decrease in fair value during the year was R 1,601,499		
The Scheme held 1,049 (2007 : 1,034) hectares of plantations at year end.		
The Scheme is exposed to financial risks arising from changes in standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future, and therefore, has not entered into any derivative or other contract to manage the risk of a decline in standing crop prices. The Scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.		

	2010	2009
		Reinstated
15 INVENTORY		
Inventory as per general ledger	199 409.00	116 163.54
Impairment	-78 056.00	-
Inventory represents consumable stores and electrical stores	<u>121 352.72</u>	<u>116 163.54</u>

The inventory value is considered as the net realisable value of the stock

	Gross Balances	Provision for bad debts	Net Balance
16 CONSUMER AND OTHER DEBTORS			
Service debtors			
Rates	6 844 375	-	6 844 375
Refuse	795 978	(551 141)	244 836
Electricity	2 049 724	(634 047)	1 415 678
Sundry	1 925 437		1 925 437
	<u>11 615 514</u>	<u>(1 185 188)</u>	<u>10 430 326</u>

	2010	2009
Trade receivables	10 430 326	6 288 993
Other debtors	2 824 609	2 810 471
Provision of bad debts	(2 027 784)	-
TOTAL DEBTORS	<u>11 227 150</u>	<u>9 099 463</u>

RATES: AGEING

Current	(256 147)	(243 055)
30 days	249 172	1 784 628
60 days	492 252	8 826
90 days	433 011	384 065
120 days	365 811	9 358
150 + days	5 560 275	1 895 821
	<u>6 844 375</u>	<u>3 839 642</u>

ELECTRICITY, REFUSE: AGEING

Current	(52 073)	845 893
30 days	1 035 963	250 360
60 days	621 191	78 045
90 days	188 214	53 857
120 days	106 649	41 895
150 + days	945 758	648 333
	<u>2 845 702</u>	<u>1 918 383</u>

RECONCILIATION OF DOUBTFUL DEBT PROVISION

Balance at the beginning of the year	(1 294 162)	(1 500 638)
Contributions to provisions	(1 918 810)	(256 963)
Doubtful debts written off against provision	-	463 440
	<u>(3 212 972)</u>	<u>(1 294 162)</u>

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt

The provision is made annually and is calculated by analysing all those above 90 days . The recoverability of debt owing by each above 90 days is and the irrecoverable is classified based on the category area, No provision has been made with regards to property rate as these amounts are considered to be fully recoverable

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
17 CALL INVESTMENT DEPOSITS		
Other deposits	15 832 951	19 897 886
18 PROPERTY RATES		
Actual		
Residential	2 463 589	1 464 742
Commercial and Industrial	3 051 852	1 881 208
State	1 120 664	707 672
Agriculture	153 850	-
Public Service Infrastructure	2 055	-
Communal	226 258	-
Total Assessment Rates	7 018 268	4 053 622
Valuations		
Residential	320 463 000	104 282 000
Commercial and Industrial	224 412 000	62 579 000
State	262 675 000	15 548 000
Agriculture	279 589 000	
Public Service Infrastructure	3 287 928	
Communal	90 503 000	
Municipal Properties	46 968 400	
Worship	8 514 000	
Total Property Valuations	1 236 412 328	182 409 000
<p>Valuations on land and buildings are performed every four years The last valuation came into effect on 1 July 2005 Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Market related interest is levied on outstanding rates</p>		
19 SERVICE CHARGES		
Sale of electricity	13 177 525	10 698 697
Refuse removal	1 028 349	942 518
Total Service Charges	14 205 874	11 641 215
20 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	23 879 728	18 781 691
Specific projects	3 318 053	3 186 800
Housing projects	456 015	1 586 029
Health subsidies	963 862	768 000
	28 617 658	24 322 520
Capital grants	10 502 764	8 622 581
Total Government Grants and Subsidies	39 120 421	32 945 101
20.1 Equitable share		
Unspent at beginning of year	-	-
Current year receipts	23 879 728	14 615 303
Allocated to Housing revenue	-	(20 265)
Conditions met - transferred to revenue	(23 879 728)	(14 595 038)
Unspent at end of the year (see note 5)	-	-
20.2 Specific projects		
Unspent at beginning of year	3 779 461	6 737 917
Current year receipts	20 568 359	11 232 142
Capital expenditure funded - transferred to revenue	(10 502 764)	(8 622 581)
Conditions met - transferred to revenue	(3 318 053)	(3 186 800)
Transferred to to Revenue GRAP 23	(10 527 004)	(1 150 000)
Transferred to revenue	0	(1 231 217)
Transferred to accumulated Surplus	-0	3 779 461
Unspent grants	-0	3 779 461
20.3 Housing projects		
Unspent at beginning of year	-	-
Current year receipts	456 015	13 605 438
Conditions met - transferred to revenue and expenditure	(456 015)	(13 605 438)
Conditions still to be met - transferred to liabilities (see note 5)	-	-

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
21 OTHER INCOME		
Other income	905 586	1 012 799
Total Other Income	905 586	1 012 799
22 EMPLOYEE RELATED COSTS		
Salaries and Wages	14 382 712	11 834 827
Contributions to UIF,pensions and medical aids	2 981 194	2 343 657
Travel, motor car, accommodation, subsistence, housing and other allowances	1 403 500	1 162 087
Uniforms and protective clothing	2 216	93 428
Overtime payments	1 475 746	987 881
Provision for bonuses	562 034	453 560
Total Employee Related Costs	20 807 401	16 875 440
Remuneration of the Municipal Manager		
Annual Remuneration	521 545	469 394
Car Allowance	117 735	125 529
Contributions to UIF,Medical and Pension Funds	2 010	1 373
Total	641 290	596 295
Remuneration of the Chief Finance Officer		
Annual Remuneration	366 531	280 667
Car Allowance	112 155	108 469
Contributions to UIF,Medical and Pension Funds	1 877	1 248
Total	480 563	390 384
Remuneration of Manager of Corporate Services		
Annual Remuneration	366 531	336 952
Car Allowance	112 155	103 938
Contributions to UIF, Medical and Pension Funds	1 877	1 373
Total	480 563	442 263
Remuneration of Manager of Technical Services		
Annual Remuneration	339 095	180 419
Car Allowance	103 491	59 972
Contributions to UIF, Medical and Pension Funds	1 752	749
Total	444 338	241 140
23 REMUNERATION OF COUNCILLORS		
Mayor	575 154	397 894
Deputy Mayor	489 398	448 488
Councillors	3 312 391	2 975 400
Total	4 376 942	3 821 781

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Member are full-time and are provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties

Councillors may utilise official council transportation when engaged in official duties

The following additional support is provided by the municipality:

The mayor has one full time bodyguard/driver

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>24.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	174 960	74 960
Amount paid - current year	(174 960)	(74 960)
Amount paid - previous years	-	-
Balance unpaid	-	-
<u>24.2 Audit fees</u>		
Opening balance	-	-
Current year audit invoices	1 119 577	673 919
Amount paid - current year	(1 119 577)	(673 919)
Amount paid - previous years	-	-
Balance unpaid	-	-
<u>24.3 VAT</u>		
VAT inputs receivables and VAT outputs payable are shown in note 6. All Vat returns have been submitted by the due date throughout the year.		
<u>24.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 956 574	2 408 584
Amount paid - current year	(2 956 574)	(2 408 584)
Amount paid - previous years	-	-
Balance unpaid	-	-
<u>24.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4 256 548	2 228 779
Amount paid - current year	(4 256 548)	(2 228 779)
Amount paid - previous years	-	-
Balance unpaid	-	-

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
25 INTEREST PAID		
DBSA- Water	111 260	140 638
DBSA- Electricity	72 161	98 705
Finance Lease Liability	54 237	
	237 658	239 343

26 BULK PURCHASES		
Electricity	9 676 402	7 277 329

Electricity Distribution Losses for the year 2009/2010 are 17% of the kWh bought and R1678224 in rand value

27 CASH GENERATED BY OPERATIONS		
Surplus for the year	16 169 497	8 300 744
Adjustment in respect of: -		
Depreciation for the year	2 796 466	2 787 054
Impairment loss	3 078 318	
Fairvalue adjustment		0
Investment income allocated	1 341 940	1 745 741
Provision for Staff leave, Bonuses	2 019 621	0
Income GRAP 23	(1 015 594)	0
Contribution to bad debts provision	1 918 810	259 567
Investment income allocated to Reserves	47 621	448 661
Loss cash contributions from the public and state	1 601 499	(2 435 624)
Operating surplus before working capital changes:	27 958 177	11 106 143
(Increase)/decrease in other inventory	(5 189)	69 558
(Increase)/decrease in debtors	(2 127 687)	(1 242 773)
(Decrease)/increase in unspent conditional grants and receipts	(3 779 461)	(577 239)
Increase/(decrease) in creditors	(6 222 265)	7 891 971
(Increase)/decrease in VAT	(2 694 359)	585 285
Decrease in provision	510 892	206 476
Cash generated by/(utilised in) operations	13 640 108	18 108 561

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Call investment deposits	15 832 951	19 897 886
Bank balances and cash	3 165 594	6 502 459
	18 998 545	26 536 181

29 FINANCE LEASE LIABILITY

Finance leases relate to Property, Plant and Equipment with lease terms of 3 years and more. The effective interest rate on Finance is 13.5% variable

	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
Within one year	217 221	56 400	273 621
Within two to five years	470 300	97 382	567 682
	687 521	208 019	895 540
Less: Amount due for settlement within 12 months (current portion)			217 221
Finance lease obligations due for settlement within 12 months (Non Current Portion)			678 319

The municipality has finance lease agreements for the following significant classes of assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 RETIREMENT BENEFITS

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2010 interim has been completed).

30.1 Superannuation

A statutory (an interim) actuarial valuation of the Fund was carried out for the period ending 31 March 2010 (31/03/2009). The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:

348 300 000	-24 900 000
-------------	-------------

made up as follows:

For service to 31 March 2010

for pensioners - surplus funding level 138.0% (2006: deficit funding level 100.5%)	134 100 000	63 400 000
for members - surplus funding level 88.6% (2000: deficit funding level 85.8%)	214 200 000	-88 300 000

The fund did not hold an Investment Reserve at 31 March 2009

Conclusion

The funding level of the Fund improved from 95.% to 104.7% (increased from 85.8% to 95.0%) over the valuation period. The actuary is satisfied that the Fund was fully funded and financially sound on the Discounted Cash Flow method; and The required contribution rate for future service exceeded the contribution rate payable by 1.27% of pensionable salaries. This will be reviewed at the next interim actuarial valuation of the fund at 31 March 2009 when the outcome of a possible merger with the Retirement Fund will be known with more certainty

30.2 Provident Fund

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2009 were that the net market value of the Fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of

574 mil	604,7 mil
13,9 mil	3.3 mil

The liabilities of the Fund exceeded the assets by a small deficit (or unallocated assets) of which represents 0,5% of assets, is a feature of the smoothed bonus approach followed by the Fund and will be met from future investment earnings

Conclusion

The investment reserve account far exceeds the deficit, so the fund is financially sound as at the valuation date. Thus the Investment reserve should remain at 7% and the recommendation is that no final bonus be declared on the members' full benefits for the year to the valuation date

The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2009

30.3 Retirement Fund

The salient features of the interim (interim) valuation of the fund at 31 March 2009 are:

The actuarial value of total assets of the fund was in excess of the actuarial value of the liabilities for the service of members to that date and for pensioners by

368 600 000	550 700 000
-------------	-------------

made up as follows:

For service to 31 March 2010

for pensioners - funding level 134.7% (2006 : funding level 116.2%) - surplus	398 500 000	538 900 000
for members - funding level 82.6% (2006 : funding level 73,0%) - deficit	-29 900 000	11 800 000
The fund was thus funded	104.70%	98.80%

The fund did not hold an Investment Reserve.

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently

17.00%.	14.00%.
1.65%	1.65%

and members pay. Based on the valuation assumptions applied in 2000 the shortfall was expected to be fully funded by 2010. During the previous interim valuation the actuary found that the mortality assumption for pensioners was not in line with actual experience and so the assumption was changed.

Accordingly, the current surcharge is required to continue for a further two years after 2010 to be fully funded.

Conclusion

The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund, including the surcharges are sufficient to meet the shortfall by 30 June 2010 and based on the revised assumptions, which allow for the improving pensioner mortality, an extension of the surcharge for a further two years is necessary

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
31 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:	47 256 699	24 337 199
-Approved but not yet contracted for	4 695 934	
Infrastructure	42 008 345	20 691 100
Community	700 000	550 000
Other	4 818 354	3 096 000
Total	47 526 699	24 337 100
Approved and contracted for	4 695 934	-
Commitments in respect of operating expenditure		
Approved and contracted for	256 149	134 339

32 CONTINGENT LIABILITY

To management's knowledge there is no contingent liability incurred in the year under review

33 AFFORESTATION

The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative. In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee. Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement. No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements. The 2007 comparatives have not been restated.

34 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2009/210

35 EVENTS AFTER REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010

36 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 22) and prior period Errors (Note 22)

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
37 CHANGES IN ACCOUNTING POLICY		
The Municipality adopted the following GRAP Statements in order to comply with the basis of preparation of annual financial statements. The change in accounting policy has been applied retrospectively from 2009/2010.		
The standards were adopted for the first time in 1 July 2009		
New accounting standards		
GRAP 17- PPE		
GRAP 1 - Comparative figures		
GRAP 14 Events after reporting date		
GRAP 13 - Leases		
IAS 36- Impairment of Assets		
IAS 38 - Intangible Assets		
IAS 40 - Investment Property		
IAS 32 - Financial Instruments: Presentation		
GRAP 19 - Contingent Assets & Liabilities		
IAS 39 - Financial Instruments: Recognition and Measurements		
IPSAS 20: Related party Disclosures		
Nature of Effect		
GRAP 17- PPE - Reclassification of asset, Testing for impairments and reassessment of useful lives		
GRAP 1 - Comparative figures - No effect		
GRAP 14 Events after reporting date - No effect		
GRAP 13 - Leases - Finance leases and Operating lease disclosure		
IAS 36- Impairment of Assets - Assets impaired		
IAS 38 - Intangible Assets - Reclassification		
IAS 40 - Investment Property - Reclassification		
IAS 32 - Financial Instruments: Presentation		
GRAP 19 - Contingent Assets & Liabilities - No effect		
IAS 39 - Financial Instruments: Recognition and Measurements		
IPSAS 20: Related party Disclosures - No effect		
The effect of change in accounting policy is as follows:		
IAS 36 - Increase in expenses for Impairment losses on Assets	3 078 318	0
Leases	995 192	446 833
IAS 38 - Investment Property	3 757	12 544
IAS 40 - Effect on Investment Property	2 878 400	2 462 000
GRAP 3 - Change in Accounting Estimate, Policies and Errors	0	0
Total Decrease in Surplus for the year 2008/2009	<u>6 955 667</u>	<u>2 921 377</u>

37.1 Impairment Losses

The impairment losses on property plant and equipment exist predominantly due to fixed assets being physical damaged and have become redundant and for those that could not be physically verified

Impairment Losses on Fixed Assets

Impairment losses recognised	3 078 318	-
Property, Plant and Equipment	3 078 318	-
Intangible assets	-	-
Investment property	-	-

37.2 Change in accounting estimates, Policies and Errors

37.2.1 Reclassification of unspent grants and grants received

The prior year figures of Unspent grants and grants receipts have been restated to correctly include the grant expenditure incurred by the municipality in the prior year but not disclosed on AFS.

An amount of R1150000 for conditional grants transferred to revenue in terms of GRAP 23 as a result of the fully implementation of GRAP was restated.

The effect of the Correction of Error is as follows:	Unspent grants and r Accumulated Surplus	
Balance previously published per AFS as at 30 June 2009	6 160 678	161 397 026
Grants allocated to revenue in terms of GRAP 23 08/09	-1 150 000	1 150 000
Expenditure incurred but not disclosed	-62 542	62 542
Balances now published for 30 June 2009	4 948 136	162 609 568

An amount of R1,168,675 was restated to 2007/2008

The effect of the Correction of Error is as follows:	Creditors	Accumulated Surplus
Balance previously published per AFS as at 30 June 2009	11 426 848	162 609 568
Correction of error- Provision for bonuses	453 560	-453 560
Balances now published for 30 June 2009	11 880 408	162 156 008

During the financial year 2010, an error of an amount of R453,559.71 was corrected, The effect is the increase in creditors and increase in salaries and allowances

37.2.2 Reclassification of inventory, the accumulated surplus and

During the financial year 2010, an error of an amount of R266 was corrected, The effect was an increase in the Inventory and Accumulated surplus

The effect of the Correction is as follows:	Inventory	Accumulated surplus
Balance previously published per AFS as at 30 June 2009	115 898	162 156 008
Error on inventory	266	266
	116 164	162 156 274

38 ACCUMULATED SURPLUS

	Restated	
Capital Replacement Reserve	6 996 498	6 996 498
Capitalisation Reserve	3 981 424	3 981 424
Government Grant Reserve	29 229 034	29 229 034
Donation and Public contributions reserve	142 352	142 352
Housing Development Fund	4 293 922	4 356 513
Accumulated Surplus/Deficit due to the results of operations	57 596 406	41 429 568
	102 239 636	86 135 389

Accumulated Surplus has been restated to correctly disclose the correction of error seen note 36
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus

The Capital Replacement Reserve is a reserve to finance future capital expenditure and invested in Capital Instruments.

The Capitalisation Reserve is the carrying value of the items of property, Plant and Equipment from the former legislated funds. The capitalisation reserve ensures community wealth and is not cash backed

The Donation and Public Contributions Reserve equals to the carrying value of the items of property, plant and equipment financed from Public Contributions and donations. The reserve ensures community wealth and is not cash backed

The government grant reserve equals to the carrying value of items of property, plant and equipment financed from government grants. The government grant reserve ensures community wealth and is not cash backed.

UMUZIWABANTU MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
39 UNAUTHORISED EXPENDITURE		
Reconciliation of unauthorised expenditure		
Opening balance	-	
Unauthorised expenditure for the current year	430 459	1 895 454
Approved/Condoned by Council	-	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	430 459	1 895 454

Incident

Unauthorised expenditure to the amount of R400,122 for Depreciation was incurred due to back

Action

To furnish the report to council

40 FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of Fruitless & Wasteful expenditure		
Opening balance	-	
Fruitless & Wasteful expenditure for the current year	7 849	9 900
Approved/Condoned by Council	-	
Transfer to receivables for recovery		
Fruitless & Wasteful	7 849	9 900

Incident

The fruitless and wasteful expenditure to the amount of R7,849 was incurred due to system failure and payments could not be processed in time

Action

To furnish the report to council

41 IRREGULAR EXPENDITURE

Reconciliation of Irregular expenditure		
Opening balance	-	
Irregular Expenditure for the current year	1 500	100 000
Approved/Condoned by Council	-	
Transfer to receivables for recovery		
Fruitless & Wasteful	1 500	100 000

Incident

An irregular and wasteful expenditure to the amount of R1,500 was incurred due to non compliance with Supply Chain Management Policy

Action

To furnish the report to council

42 COUNCILLORS ACCOUNTS IN ARREAR

No councillor wer in arrears as at 30 June 2010

APPENDIX A

UMUZIWABANTU MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2010

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2009 R	Received during the Period R	Interes paid during the period R	Redeemed written off during the period R	Balance 30/06/2010 R	Carrying Value of Property Plant & Equipment R	Other Costs in Accordance with the MFMA R
Annuity Loans										
Development Bank SA	Upgrade of Electricity	16.65%		111 123		15 689	71 092	40 031		
Development Bank SA	Upgrade of Electricity	16.32%		140 700		20 448	64 843	75 857		
Development Bank SA	Upgrade of Electricity	15.80%		239 126		36 024	46 938	192 189		
Development Bank SA	Upgrade of Water Works	16.02%		301 685		46 690	43 331	258 354		
Development Bank SA	Upgrade of Water Works	16.02%		84 420		12 269	38 906	45 514		
Development Bank SA	Upgrade of Water Works	15.80%		239 126		36 024	46 938	192 189		
Development Bank SA	Upgrade of Water Works	16.48%		116 492		16 277	74 558	41 934		
TOTAL EXTERNAL LOANS				1 232 673	-	183 421	386 606	846 067		

Note

In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa. Since then all loan charges relating to these loans have been paid by the UGU District Municipality -The loans are still in the name of the Umuziwabantu Municipality. These loan balances at 30 June 2010 totalled R 537990.23

APPENDIX B
UMUZIWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

	Opening Balance	Additions	Fairvalue	Cost /Revaluation Adjustments	Closing Balance		Accumulated Depreciation Opening Balance	Additions	Impairment/ Disposal	Closing Balance	Carrying Value
Land	14 840 000		8 750 000		23 590 000					-	23 590 000
Buildings	12 972 303	116 749			13 089 052	294 491	4 175 349	467 313	277 383	4 920 046	8 463 497
Infrastructure	39 403 266	13 105 575	206 000	-	52 714 841	1 343 631	8 868 062	1 178 771	1 496 295	11 543 127	42 515 345
Roads	26 830 710	11 609 737			38 440 447	1 343 631	3 657 285	818 527	1 487 437	5 963 249	33 820 829
Solid Waste	2 248 415	190 664	206 000		2 645 079	-	929 609	98 392		1 028 001	1 617 078
Cemetries	5 993				5 993		5 769	200		5 968	25
Electricity	10 318 148	1 305 175			11 623 323		4 275 399	261 652	8 858	4 545 909	7 077 414
Other	9 820 020	1 497 251	244 091	-	11 561 362	-	3 848 457	1 085 554	1 313 640	6 247 651	5 313 712
Furniture & Office Equipment	1 617 963	141 604	123 729		1 883 296		644 107	253 055		897 162	986 134
Motor Vehicles	3 825 161	-	-		3 825 161		1 337 459	404 243		1 741 702	2 083 459
Computer Equipment	780 158	301 333	74 827		1 156 318		417 417	140 725		558 142	598 176
Machinery and Equipment	3 596 738	1 054 314	45 535		4 696 587		1 449 474	287 531		1 737 005	2 959 582
Afforestation	681 337	41 601		-236 910	486 028		178 781	64 829	126 548	117 061	368 967
					-						-
	77 716 926	14 761 176	9 200 091	-236 910	101 441 283	1 638 122	17 070 648	2 796 466	3 213 866	22 827 884	80 251 520

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Opening Balance	Additions	Fairvalue	Cost /Revaluation Adjustments	Closing Balance	Accumulated Depreciation Opening Balance	Additions	Disposal/Impairments	Closing Balance	Carrying Value
Intangible Assets	241 895				241 895	229 350	8 787		238 138	3 757

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2010

	Opening Balance	Additions	Fairvalue	Cost /Revaluation Adjustments	Closing Balance	Accumulated Depreciation Opening Balance	Additions	Disposal/Impairments	Closing Balance	Carrying Value
Investment Properties	2 462 000		416 400		2 878 400	-			-	2 878 400

ANALYSIS OF FINANCE LEASE FOR THE YEAR ENDED 30 JUNE 2010

	Opening Balance	Additions	Fairvalue	Cost /Revaluation Adjustments	Closing Balance	Accumulated Depreciation Opening Balance	Additions	Disposal/Impairments	Closing Balance	Carrying Value
Finance Leases	602 100	688 993	-	-	1 291 093	-	155 266	140 634	-	995 192
Office Equipment	-	-			-	-	-	-	-	-
Other	602 100	688 993			1 291 093	155 266	140 634		295 900	995 192
	81 022 920	15 450 169	9 616 491	-236 910	105 852 670	1 638 122	17 455 265	2 945 888	3 213 866	84 128 870

The effective date of revaluation of land was 1 July 2010 and Independent valuer Millsfitchet was appointed to do the valuation and the valuation was based in the determination of market related values

APPENDIX C
UMUZIWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

	Opening Balance	Additions 2009/2010	Disposals 2009/2010	Closing Balance	Work in Progress	Accumulated Depreciation			Closing Balance	Carrying Value
						Opening Balance	Additions 2009/2010	Disposals/Impairments 2009/2010		
Executive & Council	11 517 615	153 377		11 670 992	294 491	2 777 332	421 074		3 198 407	8 767 077
Corporate Services	18 464 682	9 313 688		27 778 370		622 414	146 794	1 591 023	2 360 231	25 418 139
Human Resources	3 157	-		3 157		902	451		1 353	1 804
Development/Admin Ser	493 174			493 174		27 163	59 828		86 991	406 183
Technical Services	600 363	54 584		654 947		230 646	69 463		300 109	354 838
Electricity Service	10 997 209	1 305 175		12 302 384		3 690 785	333 684	8 858	4 033 327	8 269 057
Public Works	68 376			68 376		53 246	6 384		59 630	8 746
Parks and Gardens	518 733	94 337		613 070		358 102	59 104		417 206	195 865
Roads	29 489 581	11 753 200		41 242 781	1 343 631	5 493 193	991 577	1 487 437	7 972 207	34 614 205
Refuse Removal	2 081 164	1 149 935		3 231 099		310 932	189 604		500 536	2 730 564
Mechanical Workshop	3 714			3 714		3 485	229		3 714	-
Financial Services	884 312	943 872		1 828 184		440 063	191 255		631 318	1 196 866
Community Services	49 725	26 026		75 750		33 800	9 042		42 842	32 908
Clinic	117 656	25 753		143 409		89 489	12 478		101 966	41 443
Library	434 054	74 008		508 062		289 876	53 304		343 180	164 882
Community Halls & Faci	38 222			38 222		7 916	4 268		12 183	26 039
Protection Services	1 263 440	97 203		1 360 642		509 539	155 208		664 747	695 895
Disaster/Fire	736 345	33 902		770 247		171	67 082		67 253	702 994
Estates	4 301	-		4 301		4 271	30		4 301	-
Housing Service	3 308 639	-		3 308 639		2 325 162	110 212		2 435 374	873 265
Afforestation	679 325	41 601	236 910	484 016		176 780	64 817	126 548	115 049	368 967
TOTAL	81 753 786	25 066 662	236 910	106 583 538	1 638 122	17 445 265	2 945 889	3 213 866	23 351 925	84 869 735

The effective date of revaluation of land was 1 July 2010 and Independent valuer Millsfitche was appointed to do the valuation and the valuation was based in the determination of market related values

APPENDIX D
UMUZIWABANTU MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

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2009 Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus / (Deficit)
R	R	R		R	R	R
			RATE AND GENERAL SERVICE			
			Executive and Council			
4 270 955	5 162 199	(891 244)	Council	4 423 716	6 843 762	(2 420 046)
2 361 474	2 148 448	213 027	Municipal Manager	4 294 698	2 378 920	1 915 778
6 632 429	7 310 646	-678 217		8 718 414	9 222 682	-504 268
			Finance and Administration			
2 951 797	4 875 367	(1 923 569)	Budget and Treasury Office	5 426 646	9 042 109	(3 615 463)
5 255 869	2 153 480	3 102 388	Property Services	7 567 694	761 976	6 805 718
-	3 487 199	(3 487 199)	Corporate Services	-	3 857 129	(3 857 129)
-	326 190	(326 190)	Human Resources	-	342 633	(342 633)
564 260	725 153	(160 893)	Information Technology	1 150 676	687 485	463 190
8 771 926	11 567 390	-2 795 464		14 145 016	14 691 332	-546 316
			Health			
768 000	958 099	(190 099)	Clinic	963 862	1 007 918	(44 056)
			Community & Social Services			
381 079	150 930	230 148	Cemetery	551 536	575 924	(24 388)
837 212	712 502	124 710	Library	900 207	617 729	282 478
1 069 107	1 136 907	(67 800)	Community Halls & Facilities	1 226 250	271 396	954 855
2 287 398	2 000 339	287 059		2 677 993	1 465 048	1 212 945
			Planning and Development			
1 178 268	875 802	302 467	Technical Services	1 063 212	2 254 685	(1 191 473)
473 190	413 827	59 363	Tourism	520 509	191 191	329 318
1 651 458	1 289 629	361 829		1 583 721	2 445 876	(862 155)
			Disaster Management			
330 000	211 219	118 781		363 000	72 729	290 271
			Road Transport			
2 830 010	3 692 276	(862 266)	Roads	3 613 011	5 587 991	(1 974 980)
1 762 164	2 526 000	(763 836)	Vehicle Licensing & Testing	2 053 922	2 554 085	(500 163)
4 592 174	6 218 276	(1 626 102)		5 666 933	8 142 076	(2 475 143)
			Sport and Recreation			
409 160	826 360	(417 200)	Parks & Gardens	650 076	973 691	(323 615)
2 864	716	2 149	Sports Grounds & Stadiums	(1 139)	-	(1 139)
412 024	827 076	(415 051)		648 937	973 691	(324 754)
			Other			
-	5 223	(5 223)	Forestry	11 362	1 206	10 156
	116 088	(116 088)	Workshop	-	36 220	(36 220)
-			Housing	500 000	60 501	439 499
-	121 311	(121 311)		511 362	97 926	413 435
25 445 410	30 503 985	(5 058 575)	Total Rate and General Service	35 279 238	38 119 279	(2 840 041)
			TRADING SERVICE			
13 851 517	11 851 228	2 000 289	Electricity	15 075 323	13 940 630	1 134 693
			WASTE MANAGEMENT			
3 216 828	3 754 631	(537 804)	Solid Waste	3 531 209	2 722 343	808 866
9 402 724	5 395 477	4 007 247	AFFORESTATION SCHEME	6 540 805	7 426 275	(885 470)
			GRANTS			
1 586 029	1 586 029	-	Ugu Interest	111 260	111 260	-
8 622 581		8 622 581	Housing projects	456 015	456 015	-
10 208 610	1 586 029	8 622 581	Capital grants	21 029 768	3 078 318	17 951 450
				21 597 042	3 645 593	17 951 450
62 146 313	53 845 570	8 300 744	TOTAL	82 023 617	65 854 120	16 169 497

APPENDIX E (1)

UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Budget	2010 Variance		Explanation of Significant Variances greater than 10%
	R	R	R	%	
REVENUE					
Property rates	7 018 268	7 699 112	(680 844)	(8.8)	N/A
Property rates-penalties and charges	367 311	100 000	267 311	267.3	Introduction of MPRA and falling out of Collection charges
Service charges	14 205 874	15 615 484	(1 409 610)	(9.0)	N/A
Rental on facilities and equipment	105 153	196 540	(91 387)	(46.5)	Lease of farm lots, staff houses, and rental of timber overstatec
Interest earned-external investments	1 230 680	2 363 165	(1 132 485)	(47.9)	Low interest rate during the financial yea
Interest received	111 260	111 260	-	-	N/A
Fines	140 899	180 208	(39 309)	(21.8)	Fines from traffic not collected due to some cancelled by magistrate
Licences and permits	1 916 292	2 109 776	(193 484)	(9.2)	N/A
Government grants and subsidies	28 617 657	27 946 676	670 981	2.4	N/A
Capital grants	10 502 764	25 914 000	(15 411 237)	(59.5)	Small town rehabilitation received during the year, Housing project not implemente
Afforestation Scheme sales	6 374 869	6 594 095	(219 226)	(3.3)	N/A
Conditional Grant in terms of GRAP 23	10 527 004	-	10 527 004	-	N/A
Other Income	905 586	3 229 402	(2 323 816)	(72.0)	Income of R2027000 expected from Ugu not received
Total Revenue	82 023 617	92 059 718			
EXPENDITURE					
Employee related costs	20 807 401	23 049 544	2 242 143	9.7	Vacant positions not filled, PMS bonuses not paid
Remuneration of Councillors	4 376 942	4 358 287	(18 655)	(0.4)	N/A
Bad debts	1 918 810	-	(1 918 810)		N/A
Depreciation	2 796 466	2 366 007	(430 459)	(18.2)	Acquisition not properly provided for
Repairs and maintenance	1 920 003	2 569 514	649 511	25.3	Repairs in rural facilities not conducted
Interest paid	237 658	209 960	(27 698)	(13.2)	R111260 of interest is paid for by Ugu District
Changes in value of biological assets	1 601 499	-			Loss in value of biological assets
Bulk purchases	9 676 402	11 343 053	1 666 650	14.7	Drop in the consumption of electricity as a result of Load scheduling
Contracted services	750 328	1 627 891	877 563	53.9	
Grants paid	100 000	100 000	-	-	N/A
General expenses	12 309 501	14 135 565	1 826 064	12.9	Savings from implementation of budget
Afforestation Scheme cost of sales	3 451 073	4 752 432	1 301 359	27.4	Business slow due to recession
Afforestation Scheme general expenses	2 373 703	1 398 373	(975 330)	(69.7)	N/A
Housing Projects expenditure	456 015	7 820 145	7 364 130	94.2	Projects not implemented as expected
Impairment losses	3 078 318	-			N/A
Total Expenditure	65 854 120	73 730 770			
SURPLUS FOR THE YEAR	16 169 497	18 328 948			

APPENDIX E (2)

UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Budget	2010 Variance Amount	%	Explanation of Significant Variances greater than 5 %
	R	R	R		
Land and Buildings					
Building construction and upgrades		350 000	350 000	100	Approval not received from Dept of Transport for extension of testing station
Security fencing					
Violence-damaged houses		956 683	956 683	100	Approval not recieved from Department of Housing
Park homes					
Afforestation Scheme		155 000	155 000	100	
	-	1 306 683	1 306 683		
Infrastructure					
Roads upgrade	282 680	3 000 000	2 717 320	91	Identification of the rural roads took longer
Mig and Counterfunding	11 199 387	14 188 200	2 988 813	21	Retention monies not capitalised
Small town rehabilitation	678 505	11 000 000	10 321 495	94	Funding received in January and project in the original budget
Traffic lights	-	500 000	500 000	100	Department of transport refused the installing of traffic lights in their road
Electricity	1 305 175	2 000 000	694 825	35	Electricity mast not installed
Upgrade of the Dumpsite	0	350 000	350 000	100	Bid not awarded in time
Recreation park	294 491	4 000 000	3 705 509	93	Funding received in January and project in the original budget
Housing Project	456 015	7 820 145	7 364 130	94	Projects not implemented as expected
	14 216 253	42 858 345	17 222 453		
Community Assets					
Town hall and Library	94 695	110 000	15 305	14	Savings incurred
Stadium upgrade	-	-	0	-	N/A
Community buildings-Public Toilets	-	-	0	-	N/A -
Plant and equipment	-				
Community Facilities : Furniture and equipment					
	94 695	110 000	15 305		
Other Assets					
Motor vehicles	864 035	1 900 000	1 035 965	55	Dozer budget moved to upgrade of rural upgrade
Plant, machinery and equipment	369 596	650 000	280 404	43	Savings incurred
Office furniture and equipment	419 192	737 500	318 308	43	Service provider failure to implement
Disaster Management-Fire Fighting		0	0		N/A
Afforstation Scheme Asset	41 601	22 000	(19 601)	(89)	Work in progress for upgrading of compound houses
	1 694 424	3 309 500	1 615 076		
Total Assets	16 005 371	47 584 528	20 159 518		
Non Capital items	-	0	0		
	16 005 371	47 584 528	20 159 518		

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003:

Grants and Subsidies Received													Balance		End year discrepancy		Reason for non-compliance	
Name of Scheme	Opening Balance 01-07-09	July to June 2009				July to June 2010				July to June 2011				Total Expenditure 2010	2010-11	2011-12	2012-13	
		1	2	3	4	1	2	3	4									
NEFT (National)																		
Unemployment Allowance	117 817					117 817				117 817				117 817				
Unemployment Allowance	600 000					600 000				600 000				600 000				
Unemployment Allowance	10 000					10 000				10 000				10 000				
Unemployment Allowance	-					-				-				-				
Unemployment Allowance	35 401					35 401				35 401				35 401				
Unemployment Allowance	500 000					500 000				500 000				500 000				
Unemployment Allowance	500 000					500 000				500 000				500 000				
Unemployment Allowance	500 000					500 000				500 000				500 000				
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